



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR-5696-N-11]

Third Allocation, Waivers, and Alternative Requirements for Grantees Receiving Community Development Block Grant (CDBG) Disaster Recovery Funds in Response to Hurricane Sandy

AGENCY: Office of the Assistant Secretary for Community Planning and Development, HUD.

ACTION: Notice.

SUMMARY: This Notice advises the public of a third allocation of Community Development Block Grant disaster recovery (CDBG-DR) funds appropriated by the Disaster Relief Appropriations Act, 2013 (Public Law 113-2) for the purpose of assisting recovery in the most impacted and distressed areas identified in major disaster declarations due to Hurricane Sandy and other eligible events in calendar years 2011, 2012 and 2013. This allocation provides \$2,504,017,000 to assist Hurricane Sandy recovery. Included in this allocation is \$930,000,000 to implement projects from the HUD-sponsored Rebuild by Design competition, described in **Federal Register** Notices 78 FR 45551 (July 29, 2013), and 78 FR 52560 (August 23, 2013). The first and second allocations for recovery from Hurricane Sandy totaling \$10,509,000,000 were published, together with program requirements, at 78 FR 14329 (March 5, 2013) and 78 FR 69104 (November 18, 2013). Additional notices at 78 FR 23578, 78 FR 46999, 79 FR 17173, and 79 FR 40133 have provided clarifying guidance, additional waivers, and alternative requirements. This third allocation brings total funding to recover from the impacts of Hurricane Sandy and other eligible events in the Sandy-affected region to \$13,013,017,000. The Notice also establishes requirements governing the use of these funds.

DATES: Effective Date: **[Insert date 5 days from date of publication in the FEDERAL REGISTER.]**

FOR FURTHER INFORMATION CONTACT: Stan Gimont, Director, Office of Block Grant Assistance, Department of Housing and Urban Development, 451 7th Street, SW, Room 7286, Washington, DC 20410, telephone number 202-708-3587. Persons with hearing or speech impairments may access this number via TTY by calling the Federal Relay Service at 800-877-8339. Facsimile inquiries may be sent to Mr. Gimont at 202-401-2044. (Except for the "800" number, these telephone numbers are not toll-free.) E-mail inquiries may be sent to disaster_recovery@hud.gov.

SUPPLEMENTARY INFORMATION:

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I. Allocation and Related Information

The Disaster Relief Appropriations Act, 2013 (Public Law 113-2, approved January 29, 2013) (Appropriations Act) made available \$16 billion in Community Development Block Grant (CDBG) funds for necessary expenses related to disaster relief, long-term recovery, restoration

of infrastructure and housing, and economic revitalization in the most impacted and distressed areas resulting from a major disaster declared pursuant to the Robert T. Stafford Disaster Relief and Emergency Assistance Act of 1974 (42 U.S.C. 5121 *et seq.*) (Stafford Act), due to Hurricane Sandy and other eligible events in calendar years 2011, 2012, and 2013. The law provides that funds shall be awarded directly to a State or unit of general local government (hereafter local government) at the discretion of the Secretary. Unless noted otherwise, the term “grantee” refers to any jurisdiction receiving a direct award from HUD under this Notice.

On March 1, 2013, the President issued a sequestration order pursuant to section 251A of the Balanced Budget and Emergency Deficit Control Act, as amended (2 U.S.C. 901a), and reduced funding for CDBG-DR grants under the Appropriations Act to \$15.18 billion. Through a **Federal Register** Notice published March 5, 2013, the Department allocated \$5.4 billion for the areas most impacted by Hurricane Sandy (78 FR 14329). On November 18, 2013, HUD allocated an additional \$5.1 billion to further assist in recovery from Hurricane Sandy (78 FR 69104). Other Notices have also allocated funds from the Appropriations Act for other major disasters occurring in 2011, 2012 and 2013.

To comply with statutory direction that funds be used for disaster-related expenses in the most impacted and distressed areas, HUD makes allocations based on the best available data that cover all the eligible affected areas. The initial allocation to Hurricane Sandy grantees was based on unmet housing and economic revitalization needs, while the second allocation also included data on unmet infrastructure restoration needs. This Notice provides the following Round 3 awards totaling \$1.574 billion to address unmet recovery needs (See Appendix A for allocation methodology) and allocates \$930 million toward proposals developed through the Rebuild by Design competition. The awards for all grantees are as follows:

TABLE 1— HURRICANE SANDY ALLOCATIONS

| Grantee | First Allocation | Second Allocation | Third Allocation | Rebuild by Design | Total Funding To Date |
|---------------|------------------------|------------------------|------------------------|----------------------|-------------------------|
| Connecticut | \$71,820,000 | \$66,000,000 | \$11,459,000 | \$10,000,000 | \$159,279,000 |
| New Jersey | \$1,829,520,000 | \$1,463,000,000 | \$501,909,000 | \$380,000,000 | \$4,174,429,000 |
| New York | \$1,713,960,000 | \$2,097,000,000 | \$420,922,000 | \$185,000,000 | \$4,416,882,000 |
| New York City | \$1,772,820,000 | \$1,447,000,000 | \$639,056,000 | \$355,000,000 | \$4,213,876,000 |
| Rhode Island | \$3,240,000 | \$16,000,000 | \$671,000 | N/A | \$19,911,000 |
| Maryland | \$8,640,000 | \$20,000,000 | N/A | N/A | \$28,640,000 |
| TOTAL | \$5,400,000,000 | \$5,109,000,000 | \$1,574,017,000 | \$930,000,000 | \$13,013,017,000 |

New York City must expend all funds within New York City. State grantees may expend funds in any county that received a Presidential disaster declaration in 2011, 2012, or 2013 subject to the limitations described in Table 2.

Table 2 identifies a minimum percentage of the third allocation, inclusive of the Rebuild by Design allocation that must be spent in the HUD-identified Hurricane Sandy Most Impacted and Distressed counties. All selected RBD proposals are located in counties previously identified by the Department as the most impacted and distressed pursuant to the **Federal Register** Notice published on March 5, 2013 (78 FR 14329). The opportunity for certain grantees to expend 20 percent of their allocations outside the most impacted and distressed counties identified by HUD enables those grantees to respond to highly localized distress identified via their own data for most impacted and distressed areas.

TABLE 2 - MOST IMPACTED AND DISTRESSED COUNTIES WITHIN WHICH FUNDS MAY BE EXPENDED

| Grantee | Counties from the following Major Declared Disasters are eligible for CDBG-DR funds (FEMA Declaration Number) | Hurricane Sandy Most Impacted and Distressed Counties | Minimum percentage that must be expended in Hurricane Sandy most impacted and distressed counties |
|---------------|---|--|---|
| New York City | All Counties | All Counties | 100 |
| New York | 1957, 1993, 4020, 4031, 4085, 4111, 4129 | Nassau, Rockland, Suffolk, Westchester, and all Counties in New York City (Bronx, Kings, New York, Queens, Richmond) | 80 |
| New Jersey | 1954, 4021, 4033, 4039, 4048, 4070, 4086 | Atlantic, Bergen, Cape May, Essex, Hudson, Middlesex, Monmouth, Ocean, Union | 80 |
| Connecticut | 1958, 4023, 4046, 4087, 4106 | Fairfield, New Haven | 80 |
| Rhode Island | 4027, 4089, 4107 | Washington | 80 |

This Notice builds upon the requirements of the **Federal Register** Notices published by the Department on March 5, 2013 (78 FR 14329), April 19, 2013 (78 FR 23578), August 2, 2013 (78 FR 46999), November 18, 2013 (78 FR 69104), March 27, 2014 (79 FR 17173), and July 11, 2014 (79 FR 40133) referred to collectively in this Notice as the “Prior Notices.” The Prior Notices are available at:

<http://www.gpo.gov/fdsys/pkg/FR-2013-03-05/pdf/2013-05170.pdf>
<http://www.gpo.gov/fdsys/pkg/FR-2013-04-19/pdf/2013-09228.pdf>
<http://www.gpo.gov/fdsys/pkg/FR-2013-08-02/pdf/2013-18643.pdf>
<http://www.gpo.gov/fdsys/pkg/FR-2013-11-18/pdf/2013-27506.pdf>
<http://www.gpo.gov/fdsys/pkg/FR-2014-03-27/pdf/2014-06850.pdf>
<http://www.gpo.gov/fdsys/pkg/FR-2014-07-11/pdf/2014-16316.pdf>

Executive Order 13632, published at 77 FR 74341, established the Hurricane Sandy Rebuilding Task Force, to ensure government- and region-wide coordination to help communities as they are making decisions about long-term rebuilding and to develop a comprehensive rebuilding strategy. Section 5(b) of Executive Order 13632 requires that HUD, “as appropriate and to the extent permitted by law, align [the Department’s] relevant programs and authorities” with the Hurricane Sandy Rebuilding Strategy (the Rebuilding Strategy). Accordingly, this Notice is informed by both the Rebuilding Strategy released by the Task Force on August 19, 2013 and Rebuild by Design (RBD), an initiative of the Hurricane Sandy Rebuilding Task Force and HUD and part of the Rebuilding Strategy’s recommendation to promote resilience rebuilding through innovation. RBD addresses structural and environmental vulnerabilities that Hurricane Sandy exposed in communities throughout the region and developed fundable solutions to better protect residents from future disasters. The Rebuilding Strategy and information about RBD can be found, respectively, at:

<http://portal.hud.gov/hudportal/documents/huddoc?id=HSRebuildingStrategy.pdf>
<http://www.rebuildbydesign.org>

II. Use of Funds

The Appropriations Act requires funds to be used only for specific disaster recovery related purposes. Consistent with the Rebuilding Strategy, it is essential to build communities back stronger and more resilient. This allocation provides additional funds to Sandy-impacted grantees to support investments in resilient recovery.

The Appropriations Act requires that prior to the obligation of CDBG-DR funds, a grantee must submit a plan detailing the proposed use of funds, including criteria for eligibility and how the use of these funds will address disaster relief, long-term recovery, restoration of infrastructure and housing, and economic revitalization in the most impacted

and distressed areas. In an Action Plan for Disaster Recovery (Action Plan), grantees must describe uses and activities that: (1) are authorized under title I of the Housing and Community Development Act of 1974 (42 U.S.C. 5301 *et seq.*) (HCD Act) or allowed by a waiver or alternative requirement published in this Notice and the Prior Notices; and (2) respond to a disaster-related impact. HUD has previously approved an Action Plan for each grantee receiving an allocation of funds in this Notice. Grantees are now directed to submit substantial Action Plan Amendments in order to access funds provided in this Notice. RBD and formula allocations may be included together or in separate Action Plan Amendments. For more information on requirements for substantial Action Plan Amendments, please see Sections IV and VI of this Notice.

As provided by the HCD Act, funds may be used as a matching requirement, share, or contribution for any other federal program when used to carry out an eligible CDBG-DR activity. However, pursuant to the requirements of the Appropriations Act, CDBG-DR funds may not be used for expenses reimbursable by, or for which funds are made available by, FEMA or the United States Army Corps of Engineers (USACE).

The Notice published November 18, 2013 (78 FR 69104) imposes additional requirements on certain grantees. The grantees must update the needs assessment component of their Action Plan amendments to reflect current unmet needs, as applicable. The State of New York must either: 1) ensure that a portion of its allocation is used to address resiliency and local cost share requirements for damage to both the Metropolitan Transportation Authority infrastructure in New York City and the Port Authority of New York and New Jersey; or 2) demonstrate that such resiliency needs and local cost share has otherwise been met. The State of New Jersey must undertake one of these same actions with regard to the

Port Authority. In order to demonstrate that resiliency and local cost share requirements have otherwise been met, the substantial Action Plan Amendments submitted by State of New York and the State of New Jersey must include evidence of consultation with the Metropolitan Transportation Authority and the Port Authority of New York and New Jersey, as applicable. New York City must ensure that a portion of its allocation is used to address the recovery and resilience needs of the New York City Housing Authority (NYCHA), or demonstrate that such resiliency needs have otherwise been met.

III. Timely Expenditure of Funds

To ensure the timely expenditure of funds the Appropriations Act requires that funds be expended within two years of the date HUD obligates funds to a grantee. Funds are obligated to a grantee upon HUD's signing of a grantee's CDBG-DR grant agreement. In its Action Plan, a grantee must demonstrate how funds will be fully expended within two years of obligation and HUD must obligate all funds not later than September 30, 2017. For any funds that the grantee believes will not be expended by the deadline and that it desires to retain, the grantee must submit a letter to HUD not less than 30 days in advance of the deadline justifying why it is necessary to extend the deadline for a specific portion of funds. The letter must detail the compelling legal, policy, or operational challenges necessitating any such waiver, and must also identify the date by when the specified portion of funds will be expended. The Office of Management and Budget (OMB) has provided HUD with authority to act on grantee waiver requests but grantees are cautioned that such waivers may not be approved. If granted, waivers will be published in the **Federal Register**. Funds remaining in the grantee's line of credit at the time of its expenditure deadlines will be recaptured by HUD.

IV. Grant Amendment Process

To access funds allocated by this Notice grantees must submit a substantial Action Plan Amendment to their approved Action Plan. Submission to and review by HUD must follow the process outlined below. HUD approves the Amendment according to criteria identified in the Prior Notices and this Notice.

- Before submitting a substantial Action Plan Amendment, a grantee must consult with affected citizens, stakeholders, local governments and public housing authorities to determine updates to its needs assessment, and as necessary, update its comprehensive risk analysis;
- Grantee amends its citizen participation plan to reflect the requirements of this Notice, as described in Section VII.3;
- Grantee publishes the proposed substantial amendment to its previously approved Action Plan for Disaster Recovery on the grantee's official web site for no less than 30 calendar days and holds at least one public hearing to solicit public comment;
- Grantee responds to public comment and submits its substantial Action Plan Amendment to HUD (with any additional certifications required by this Notice) no later than 120 days after the effective date of this Notice;
- HUD reviews the substantial Action Plan Amendment within 60 days from date of receipt and approves the Amendment according to criteria identified in the Prior Notices and this Notice;
- HUD sends an Action Plan Amendment approval letter. The Secretary may disapprove of the Action Plan Amendment if it is determined that it does not meet the requirements of this Notice or relevant prior Notices. If the substantial Amendment is not approved, a

letter will be sent identifying its deficiencies; the grantee must then re-submit the Amendment within 45 days of the notification letter;

- Grantee ensures that the HUD-approved substantial Action Plan Amendment (and updated Action Plan) is posted on its official website;
- HUD sends an amended unsigned grant agreement with revised grant conditions to the grantee; and the grantee signs and returns the amended grant agreement;
- HUD signs the grant agreement amendment and revises the grantee's line of credit amount (this triggers the two year expenditure deadline for any funds obligated by this amended grant agreement) and provides a copy of the executed grant agreement to the grantee;
- If it has not already done so, grantee enters the activities from its published Action Plan Amendment into the Disaster Recovery Grant Reporting (DRGR) system and submits it to HUD within the system;
- The grantee may draw down funds from the line of credit after the Responsible Entity completes applicable environmental review(s) pursuant to [24 CFR part 58](#) (or paragraph A.20 under Section VI of the March 5, 2013 Notice) and, as applicable, receives from HUD or the state an approved Request for Release of Funds and certification;
- Grantee amends its published Action Plan to include its projection of expenditures and outcomes within 90 days of the Action Plan Amendment approval as provided for in paragraph VII.2.f of this Notice; and
- Grantee updates its full consolidated plan to reflect disaster-related needs no later than its Fiscal Year 2015 consolidated plan update if it has not already completed the update.

V. Authority to Grant Waivers

The Appropriations Act authorizes the Secretary to waive, or specify alternative requirements for, any provision of any statute or regulation that the Secretary administers in connection with HUD's obligation or use by the recipient of these funds (except for requirements related to fair housing, nondiscrimination, labor standards, and the environment). Waivers and alternative requirements are based upon a determination by the Secretary that good cause exists and that the waiver or alternative requirement is not inconsistent with the overall purposes of title I of the HCD Act. Regulatory waiver authority is also provided by [24 CFR 5.110](#), [91.600](#), and [570.5](#).

VI. Rebuild by Design Allocations, Purpose, and Requirements

Rebuild by Design (RBD) was a planning and design competition to increase resilience in the Sandy-affected region as part of recovery from the storm. The Department conducted the competition under the authority of §105 of the America COMPETES Reauthorization Act of 2010 (15 U.S.C. § 3719). Administered in partnership with philanthropic, academic, and nonprofit organizations, HUD solicited the best talents and ideas from around the world to seek innovative solutions for how communities rebuild and adapt in response to the damage from a disaster and future risks presented by natural hazards and climate change. More regarding the history of the competition can be found in the **Federal Register** at 78 FR 45551, published July 29, 2013, and 78 FR 52560, published August 23, 2013.

The competition resulted in the selection of ten interdisciplinary design teams as finalists to participate in an in-depth process. Ultimately, six proposals were announced as winning proposals in June 2014, representing an award of distinction for the respective design teams.

1. Rebuild by Design Allocations

Under this Notice, the Department is providing \$930 million in funds for use toward the implementation of proposals developed through the RBD competition. Unless otherwise provided for in the Prior Notices or in this Notice, the allocated RBD funds are subject to all applicable CDBG requirements. For example, RBD expenditures must be included in each grantee's overall benefit requirement. The specified uses and additional requirements on these allocations are outlined later in this Notice. Grantees are prohibited from spending the funds provided by this allocation for RBD on non-RBD purposes, including other disaster recovery activities.

Allocations for RBD are identified in Table 3 below by proposal:

TABLE 3: REBUILD BY DESIGN ALLOCATIONS BY PROPOSAL

| Grantee | Proposal | Location | RBD CDBG-DR Allocation |
|----------------------|---------------------------------|-------------------------------|-------------------------------|
| State of New Jersey | New Meadowlands | Meadowlands | \$150,000,000 |
| State of New Jersey | Resist, Delay, Store, Discharge | Weehawken/Hoboken/Jersey City | \$230,000,000 |
| State of New York | Living with the Bay | Nassau County | \$125,000,000 |
| State of New York | Living Breakwaters | Staten Island | \$60,000,000 |
| New York City | The Big U | Manhattan/Lower East Side | \$335,000,000 |
| New York City | Hunts Point Lifelines | South Bronx/Hunts Point | \$20,000,000 |
| State of Connecticut | Resilient Bridgeport | Bridgeport | \$10,000,000 |

As part of the RBD competition process, each design team worked closely with each respective grantee to ensure that design solutions within the proposals were consistent with the grantee's recovery goals and priorities.

2. Purpose of RBD Allocations and Required Actions

Each selected proposal from the RBD competition is comprised of multiple phases, which collectively represent a larger master plan. For each selection, the multiple phases

collectively are referred to in this Notice as the selected RBD proposal. For purposes of the RBD-related sections of this Notice, HUD is referring to the first phase, portion of a phase, or pilot project of each selected proposal as an “RBD Project.” Each of these RBD Projects can be implemented to provide independent, meaningful risk reduction and assist in recovery.

Successful implementation of RBD Projects will require collaboration within and among various levels of government (including, but not limited to, the environmental review and permitting process). In addition, implementation of RBD Projects may require engagement with private-sector, nonprofit, and philanthropic entities as part of an overall financing strategy.

At a minimum, grantees must use the specific allocation for each selected RBD proposal to undertake the following actions:

- a. Implement each RBD Project identified in Section VI.3 consistent with the proposal selected through the RBD competition process, to the greatest extent practicable and appropriate, considering the technical, fiscal, environmental, legal, and other constraints or opportunities that may be encountered. CDBG-DR funds must be used to implement the RBD Project, including research, study, analysis, planning, citizen participation, design, and engineering activities or other activities (i.e., pre-development activities) that are necessary and reasonable to achieve RBD Project implementation as well as site work and RBD Project construction (i.e. development activities). The Department recognizes that the amount of CDBG-DR allocated to each proposal may not be sufficient to fully build-out the RBD Project. Accordingly, grantees must describe the major or primary RBD Project elements that they will develop further for implementation according to the total amount of funding (HUD and non-HUD funds) that can be reasonably anticipated as part of the RBD Action

- Plan Amendment process described in Section VI.4. In order to meet the requirements of this Notice, the RBD Project, when completed, must achieve independent utility.
- b. Undertake planning activities necessary at the RBD Project- and selected RBD proposal-level. Planning at the RBD Project level is necessary for the continued design and ultimate construction of the RBD Project activities. Planning at the selected RBD proposal level is necessary to ensure that the completed RBD Project will have appropriate continuity and connection to implementation of subsequent phases of the selected RBD proposal or other resilience plans and strategies. Selected RBD proposal-level planning must include development of an implementation strategy, including identification of potential funding sources and financing mechanisms, to continue the subsequent phase or phases of the selected RBD proposal. RBD Project-level planning should examine potential displacement of residents, businesses, and other entities due to potentially increasing costs of rent and property ownership in the years following the completion of the RBD Project (e.g., gentrification). Consideration should also be given to actions for mitigating the impacts of such displacement.
 - c. Develop an implementation case study and lessons learned document, recording the implementation process for each RBD Project, to be submitted to HUD prior to grant close-out. The Department anticipates that new and creative coordination structures, partnerships, and decision-making processes may be developed during the implementation process and will use these case studies and lessons learned documents to inform future recovery efforts. Grantees must develop this document

using a scope and methodology acceptable to the Department. HUD will work with grantees to develop an acceptable format for this document.

The Department also encourages grantees to secure additional funding to implement other phases or portions of the selected RBD proposals and to consider increasing the scale, effectiveness, impact, or scope of the RBD Projects identified in this Notice. If the allocated RBD funding permits a grantee to implement additional phases or portions of the selected RBD proposal beyond the RBD Project identified in the grantee's approved Action Plan Amendment, the grantee must, again, seek HUD approval through the substantial RBD Action Plan Amendment Process described in Section VI.4 below.

3. RBD Project Descriptions.

Descriptions of the RBD Projects to be funded with these allocations can be found on the RBD website (www.rebuildbydesign.org) according to the names below:

a. State of New Jersey: Meadowlands

CDBG-DR funds are provided to assist in the implementation of the first phase ("Pilot 1") of the proposal titled "New Meadowlands." Pilot 1 includes Little Ferry, Moonachie, Carlstadt, Teterboro, and a portion of South Hackensack.

b. State of New Jersey: Weehawken/Hoboken/Jersey City

CDBG-DR funds are provided to assist in the implementation of the first phase ("Phase 1") of the proposal titled "Resist, Delay, Store, Discharge."

c. State of New York: Nassau County

CDBG-DR funds are provided to assist in the implementation of the first phase ("Slow Streams") of the proposal titled "Living with the Bay." Slow Streams runs along the Mill River and through Rockville Centre.

d. State of New York: Staten Island

CDBG-DR funds are provided to assist in the implementation of the first phase (“Tottenville Pilot”) of the proposal titled “Living Breakwaters.” Tottenville Pilot is located along the South Shore.

e. New York City: Manhattan/Lower East Side

CDBG-DR funds are provided to assist in the implementation of the first phase (“Compartment 1: East River Park”) of the proposal titled “BIG U.”

f. New York City: South Bronx/Hunts Point

CDBG-DR funds are provided to assist in implementation of the proposal titled “Hunts Point Lifelines.” The amount of CDBG-DR funds allocated pursuant to this Notice is not sufficient to fully fund the first phase of the proposal. Therefore, funding is to be used for continued study, analysis, planning, and community engagement as well as for design, engineering, and construction of a pilot project, as yet undefined. For purposes of this allocation, this pilot project will be considered the RBD Project for this selected RBD proposal. In order to allow the time necessary for engagement of community stakeholders regarding selection of a pilot project, the pilot project does not need to be identified in the initial Action Plan Amendment submitted in response to this Notice; however the grantee must describe the planning activity and certify that it will complete the pilot project in its initial Action Plan Amendment. Once the pilot project is identified by the City, the City must then submit a substantial Action Plan Amendment that incorporates the pilot project in order for project-related funds to be obligated.

g. State of Connecticut: Bridgeport

CDBG-DR funds are provided to assist in implementation of the finalist proposal titled “Resilient Bridgeport.” Although the proposal for Bridgeport was not selected as a winning

proposal, funds are being allocated to reduce flood risk for the most vulnerable public housing stock in the city and to leverage significant match funding from the State of Connecticut and other local funds. The Department recognizes that additional planning is required to re-assess and re-scope one or more elements of the proposal to identify a pilot project that can be implemented and that the forthcoming project may require greater deviation from the proposal as submitted relative to that of winning proposals. Funding allocated pursuant to this Notice is to be used for continued study, analysis, planning, and community engagement as well as for design, engineering, and construction of a pilot project, as yet undefined. For purposes of this allocation, this pilot project will be considered the RBD Project for this selected proposal. At a minimum, the pilot project must reduce flood risk to public housing in the City's South End/Black Rock Harbor area. In order to allow the time necessary for engagement of community stakeholders regarding selection of a pilot project, the pilot project does not need to be identified in the initial Action Plan Amendment submitted in response to this Notice; however, the grantee must describe the planning activity and certify that it will complete the pilot project in its initial Action Plan Amendment. Once the pilot project is identified, the State of Connecticut must then submit a substantial Action Plan Amendment that incorporates the pilot project in order for project-related funds to be obligated.

4. RBD Action Plan Amendment Process

The RBD Action Plan Amendment process, as described below, is designed to ensure that as specific plans for the RBD Project are developed, the RBD Project remains consistent with the selected RBD proposal and the RBD Project approved by HUD as an eligible CDBG activity as described in Section VII.4.c of this Notice. Before a grantee can access its RBD Allocation to carry out the RBD Project described in Section VI.2. of this Notice (or other phases of the selected RBD

Proposal as permitted by this Notice), the grantee must complete the Grant Amendment process described in Section IV of this Notice as well as the RBD Amendment process described here::

- a. Following announcement of RBD allocations on May 30, 2014, grantee proceeds with additional planning, outreach, design, engineering, and other pre-development activities necessary to develop the RBD Project to the level of detail necessary for purposes of environmental review, permitting, and construction. Grantees are strongly encouraged to integrate project planning with the environmental review process.
- b. Grantees may charge to the grant the costs of CDBG eligible, RBD Project planning and pre-development activities incurred on or after May 30, 2014, by temporarily reprogramming previously awarded CDBG-DR funds already identified for planning away from such planning activities for purposes of funding RBD Project planning and pre-development activities under the alternative requirements described in Section VII.4.a. and b. of this Notice.
- c. No later than 120 days after the effective date of this Notice, grantee must submit its initial RBD Action Plan Amendment. The required elements of this Amendment are further described in Section VI.6.a.
- d. HUD approves the initial RBD Action Plan Amendment. Following HUD approval, grantee identifies the amount it wishes to obligate in consideration of the expenditure timeframes identified in Section III of this Notice and engages residents and community stakeholders in fully developing the RBD Project. Grantee also begins to take actions necessary for the environmental review process.
- e. *For RBD Projects not requiring an Environmental Impact Statement (EIS) pursuant to the requirements of 24 CFR part 58:* grantee submits a subsequent substantial Action Plan Amendment to reflect the final RBD Project, as described in Section

- VI.6.b. This Amendment must include a detailed description of the final RBD Project as permitted and approved from the environmental review process. This Amendment may be submitted prior to or concurrent with grantee's submission of its Request for Release of Funds and Certifications (RROF). Following approval of the Action Plan Amendment and RROF, funds from the grantee's line of credit will be made available for construction (proceed to Section VI.4.g).
- f. *For RBD Projects requiring an EIS:*
- i. Following completion of the Draft EIS, grantee submits a subsequent substantial Action Plan Amendment to reflect the final RBD Project, as described in Section VI.6.b. This Amendment must identify the RBD Project scope and design as it exists at that point. Grantees are not prohibited from proceeding with the EIS process. HUD approval of this Action Plan Amendment is contingent upon whether the RBD Project is as consistent with the conceptual proposal as practicable and appropriate. HUD will provide clarifying guidance as to the content and format of materials that will help ensure timely approval of the Action Plan Amendment under the criteria for approval of Action Plan Amendments containing RBD Projects described in this Notice. If the Action Plan is not approved, RBD Project-related costs will not be eligible following the date of disapproval until the RBD Project is brought back into alignment with the RBD Project as proposed in the previously approved Action Plan.

- ii. Grantee successfully stewards the RBD Project through the environmental review process pursuant to 24 CFR part 58 and any permitting processes required to implement the RBD Project.
- iii. HUD anticipates that the final EIS or other project plan development may result in material changes to the project after grantee submits the subsequent substantial Action Plan Amendment described in Section VI.4.f.i. If no material changes have occurred since the previous RBD Project design and scope approved by HUD in the grantee's Action Plan Amendment, no additional amendment is necessary. If the RBD Project has undergone a material change, then the grantee must submit a substantial Action Plan Amendment in order to describe the final RBD Project as permitted and approved from the environmental review process. A grantee may submit its RROF concurrent with this Action Plan Amendment, if applicable, and its Record of Decision for the project. Following approval of the Action Plan Amendment, if applicable, and RROF, funds from the grantee's line of credit will be made available for construction.
- g. Grantee begins drawing funds for construction. HUD staff will continue to routinely monitor each grantee for continued consistency of RBD Projects with its approved Action Plan.

5. *RBD Environmental Review Requirements*

Grantees will conduct environmental reviews pursuant to 24 CFR part 58 and are strongly encouraged to integrate RBD Project planning with the environmental review process to the fullest extent possible by, for instance, aligning scoping and public

comment periods required as part of environmental reviews with those required for RBD Action Plan Amendments. It is expected that grantees will undertake action that contributes to the environmental review process as soon as RBD Project planning commences. To expedite environmental review and permitting and to ensure that the most complex projects are delivered as efficiently as possible, grantees shall submit all RBD Projects to the Sandy Regional Team for Federal Review and Permitting as provided for in Section VII.1 of the Notice published on November 18, 2013 (78 FR 69104). Grantees must group together and evaluate as a single project all individual activities which are related either on a geographical or functional basis, or are logical parts of a composite of contemplated actions. Furthermore, grantees must analyze the reasonably foreseeable direct, indirect and cumulative effects of the RBD Project. See 40 CFR parts 1508.7 and 1508.8. If the RBD Project is anticipated to require an EIS, grantees are encouraged to undertake the scoping process as early as possible consistent with 24 CFR part 58 and 40 CFR §§ 1500-1508.

6. *RBD Action Plan Requirements*

a. Initial Action Plan Amendment for Proposed RBD Project

Grantees in receipt of an RBD allocation must submit an initial substantial Action Plan Amendment that includes the following elements:

i) RBD Project Description

A general description of the proposed RBD Project to be designed and implemented (*e.g.*, through narrative, maps, and conceptual project renderings). This description must also identify the CDBG national objective(s) that will be met by the funded RBD Project. The grantee must describe the use of all funds dedicated for planning, pre-development, and project construction

costs and must breakout estimated amounts for such costs. The description must demonstrate the RBD Project's feasibility and effectiveness in providing protection against current and future threats and hazards, including future risks associated with climate change. Additionally, the grantee must include in its description any applicable infrastructure requirements of the November 18, 2013 Notice as described in Section VI.7.a of this Notice.

ii) Implementation Partnership for RBD Project

A description of the implementation partnership responsible for RBD Project completion. The description must identify the grantee agency responsible for managing the implementation of the RBD Project. The Action Plan Amendment must demonstrate that the implementing agency has the capacity to successfully implement the RBD Project in a timely, cost-effective, and compliant manner. If adequate capacity does not currently exist, the grantee must identify how it will provide this capacity. Adequate demonstration of capacity is typically reflected by, but is not limited to: staffing levels; management structure; operational authority; experience; established controls, policies, and procedures; and history or ability to work collaboratively with other city, county, state, and federal agencies as required.

The description of the implementation partnership must identify the entities that will comprise the partnership as well as the nature and role of each entity of the partnership (*e.g.*, type of agreement, responsibilities, authorities, etc.). The description should include identification of any agreements that have been executed or that will need to be signed (such as contracts, subrecipient agreements, memoranda of understanding, etc.) for the partnership to effectively function and meet the requirements in this Notice. State grantees must include a description of the roles and responsibilities of the incorporated municipalities in which the projects are located.

iii) Citizen Participation Plan for RBD Project

A description of the citizen participation plan specifically related to the prospective planning and implementation of RBD Projects. The competition process through which the proposals were developed involved transparent and inclusive community outreach and public participation surrounding each proposal. Grantees must demonstrate to the satisfaction of the Department that they will continue to similarly engage community stakeholders through the planning, design, and development process related to each RBD Project and selected RBD proposal in their Action Plan. HUD encourages grantees to align citizen participation plan requirements with environmental review public participation processes to the fullest extent possible to gain efficiencies. For example, if the project requires an EIS, then the required public comment period following the publication of a Draft EIS should run, to the fullest extent possible, concurrently with the comment period for the substantial Action Plan Amendment. Grantees must take steps to ensure that vulnerable and underserved populations, including racial and ethnic minorities, persons with disabilities, and persons with limited English proficiency, are involved in the planning and decision-making processes throughout the RBD Project.

iv) RBD Project Timeline

A description of the general timeline for RBD Project development until completion. Grantees should identify the general timeframe for activities such as additional study/research, planning, design/engineering, environmental review and permitting, site development, and construction. The timeline must be revised to reflect more accurate expectations once the final RBD Project design is approved by HUD. The timeline should reflect a critical path approach to RBD Project completion that illustrates the milestones to the completion of the RBD Project and estimates the resources required for accomplishment of each milestone.

v) Identification of leveraged or reasonably anticipated funds for RBD Project

A description of funds that are anticipated to be generated or secured in leveraging the CDBG-DR allocation for RBD Project completion as well as any additional CDBG-DR funds the grantee anticipates dedicating to the RBD Project beyond the funds allocated to the RBD Project in this Notice. Accordingly, the description must identify any potential gap or shortfall in RBD Project funding (relative to what is being proposed) and identify the strategy(ies) that will be pursued to secure such funds. While RBD Projects must be implemented as consistent with the winning proposals as practicable and appropriate, it is understood that modifications may be necessary in response to the amount of funding ultimately secured.

b. Subsequent Action Plan Amendment to Reflect Final RBD Project

As described under Section VI.4.e. and f. of this Notice, the Department is requiring grantees to submit an Action Plan Amendment as a condition for the release of funds for RBD Project-related construction activities. HUD will provide clarifying guidance as to the format of materials for approval of Action Plan Amendments containing the final RBD Project descriptions described in this Notice. Grantees are advised that the Amendment submission must detail a final RBD Project that comports with the selected RBD proposal to the greatest extent practicable and appropriate and must update the required RBD Action Plan Amendment elements described in Section VI.6.a.

Submissions will need to include an examination of the RBD Project through a Benefit-Cost Analysis, using methodologies and approaches acceptable to HUD. In its submission, the grantee must demonstrate the degree to which the project reduces flood risk and the respective geography that it will benefit. In its submission, the grantee must also certify to adequately fund the long-term operation and maintenance of the RBD Project from reasonably anticipated revenue, recognizing that operation and maintenance costs must be provided from sources other

than CDBG and CDBG-DR funds. Approval of the Action Plan Amendment is contingent upon this certification.

Grantees are also responsible for demonstrating that the RBD Project is feasible, including having an appropriate design that will result in the benefits proposed. In order to demonstrate that the engineering design for the RBD Project is feasible, a registered Professional Engineer (or other design professional) must certify that the design meets the appropriate code, or industry design and construction standards. HUD, when approving the RBD Action Plan Amendment, may impose special conditions on the grants to address high risk factors that HUD identifies in its review.

HUD expects the grantee or a subrecipient, contractor, or subgrantee to take responsibility for operating and maintaining any levee, floodwall, or other flood control structure or system funded under the RBD allocation. Grantees must identify the entity(ies) that will own, operate, and maintain any levee or levee/breakwater system. Any levee or levee/breakwater system funded under the RBD allocation must be technically sound. The grantee must certify in its Action Plan Amendment that it, or the local authority assuming ownership of a levee, will take action to ensure the levee is certified and meets FEMA standards at 44 CFR 65.10 and is subsequently accredited by FEMA, which allows for floodmaps to be re-drawn accordingly.

7. *Applicability of Prior Notice Requirements to RBD Projects*

a. Infrastructure requirements of Prior Notices

As a result of the RBD competition process, RBD Projects are considered as having met:

- i) The definition of infrastructure projects and related infrastructure projects under Section VI.b.1 of the November 18, 2013 Notice;

- ii) The requirement for impact and unmet needs assessments and the comprehensive risk analysis under Section VI.c and VI.d of the November 18, 2013 Notice;
- iii) The process required for the selection and design of green infrastructure projects or activities under Section VI.f of the November 18, 2013 Notice; and
- iv) The additional requirements for major infrastructure projects (“Covered Projects”) under Section VI.g of the November 18, 2013, Notice. However, the Initial RBD Action Plan Amendment as described in Section VI.6.a of this Notice must still include a description of how the grantee plans to monitor and evaluate the efficacy and sustainability of RBD Projects, and meet the resilience performance standards requirement as outlined at Section VI.2.e of the November 18, 2013 Notice. Each RBD Project has been introduced to the Sandy Regional Infrastructure Resilience Coordination (SRIRC) Group. Grantees are expected to continue to work in consultation with SRIRC as this state and federal interagency group can help facilitate coordination of project scopes to best align and integrate with other recovery projects in the area. In addition, funded RBD Projects will be submitted to the Sandy Regional Team for Federal Review and Permitting for enhanced coordination that can expedite the implementation process, as provided for in Section VII.1 of the Notice published on November 18, 2013 (78 FR 69104).

b. Eligible Activity

Under the waiver and alternative requirements imposed by this Notice, RBD Projects are CDBG-eligible activities subject to a determination by the Department that the RBD Project

remains as consistent with the selected RBD proposal as practicable and appropriate, and meets all other requirements in this Notice.

HUD has previously provided for the eligibility of large complex projects that are composed of multiple activities that, in and of themselves, would be eligible and contribute to long-term recovery. The Department has determined that the projects resulting from the RBD process are a critical component of the region's long-term recovery and resilience to future weather events. To accomplish the initiative's stated intention, each grantee will fund additional strategic planning and public outreach followed by an RBD Project that successfully implements an initial phase of the design. At HUD's request, grantees have agreed that the RBD Projects will be implemented and contribute to their respective disaster recovery process. At this stage of development, it may be difficult for grantees to categorize RBD Projects into discrete categories of CDBG eligibility. HUD has determined that the activities that comprise the RBD Project, including the implementation case study and lessons learned document, are necessarily eligible CDBG activities under this Notice. Therefore, to streamline implementation of RBD Projects, HUD is providing an alternative requirement, as described in Section VII.4.c of this Notice, to create an eligible activity referred to as 'Rebuild by Design,' to include all pre-development and construction activities carried out in accordance with identified RBD Projects referenced in this Notice. As a criterion for approval of an Action Plan Amendment containing an RBD Project, HUD must determine that the description of the RBD Project, as included in a grantee Action Plan, is consistent with the eligible activity described in this Notice. Grantees must consider any portion of their RBD allocations expended on planning and general administrative costs as planning and general administrative expenditures for purposes of calculating compliance with the 20 percent cap on planning and general administration costs and 5 percent cap on general

administration costs of their total CDBG-DR grant (i.e., the sum total of all CDBG-DR funds received under the Appropriations Act) as outlined in the March 5, 2013 Notice.

c. National Objective Classification

In the initial RBD Action Plan Amendment submitted in response to this Notice, as described in Section VI.6.a of this Notice, grantees must identify the CDBG national objective(s) associated with each RBD Project. Each RBD Project must meet the national objective requirements applicable to other CDBG-DR activities. Grantees may attribute a single national objective that covers the complete RBD Project activity; however grantees may also choose to categorize the project into multiple activities in order to distinguish and classify expenditures as benefiting low- and moderate-income populations, as a means of meeting the overall benefit requirement. Grantees must establish appropriate methods by which an RBD Project may be attributable to multiple national objectives through consultation with the Department. In addition, through the research and analysis conducted as part of the competition, RBD Projects have demonstrated an acceptable connection to recovery from the direct and indirect impacts of Hurricane Sandy.

d. Procurement of Consultants Supporting Project Design

Grantees should ensure that individuals with a strong working knowledge of both the RBD Project to be implemented and the overall proposal are among the consultants hired to advance the project. Given the unique knowledge and understanding that each RBD design team possesses regarding their respective proposal, grantees should consider how it may procure design team members noncompetitively. The RBD design teams and their members represent a collection of some of the best planning, design, and engineering talent in the world as they were selected by the President's Hurricane Sandy Rebuilding Task Force out of a universe of 148

teams from more than 15 different countries. The teams also bring interdisciplinary expertise such as economists, sociologists, hydrologists, and climate scientists.

If a grantee has adopted or is required to use 24 CFR part 85, the grantee is reminded of the provisions of 24 CFR 85.36, which set forth the conditions under which a grantee may engage in a non-competitive, single source procurement (§ 85.36 (d)(4)). Grantees operating under part 85 are granted the authorization referenced under § 85.36 (d)(4)(i)(C) only regarding procurement of the design teams (or members of the design teams) that participated in the development of selected RBD proposals through the HUD-sponsored RBD competition. The grantee will be responsible for ensuring compliance with requirements that all costs be necessary and reasonable. (In many cases, this will entail the grantee undertaking a cost analysis prior to hiring consultants.) Grantees that have not adopted part 85 should review state or local requirements associated with single source procurement to ensure continued consistency with § 85.36 and are advised to follow all applicable procurement requirements as well as those identified by HUD regulations and Notices.

VII. Applicable Rules, Statutes, Waivers, and Alternative Requirements

This section of the Notice describes requirements imposed by the Appropriations Act, as well as applicable waivers and alternative requirements. For each waiver and alternative requirement described in this Notice, the Secretary has determined that good cause exists and the action is not inconsistent with the overall purpose of the HCD Act. The following requirements apply only to the CDBG-DR funds appropriated in the Appropriations Act.

Grantees may request additional waivers and alternative requirements to address specific needs related to their recovery activities. Except where noted, waivers and alternative

requirements described below apply to all grantees under this Notice. Under the requirements of the Appropriations Act, waivers are effective five days after publication in the **Federal Register**.

1. *Incorporation of general requirements, waivers, alternative requirements, and statutory requirements previously described.*

Grantees are advised that general requirements, waivers and alternative requirements provided for and subsequently clarified or modified in the Prior Notices, apply to all funds under this Notice, except as modified herein. These waivers and alternative requirements provide additional flexibility in program design and implementation to support resilient recovery following Hurricane Sandy, while also ensuring that statutory requirements unique to the Appropriations Act are met. Waivers or alternative requirements previously issued pursuant to specific grantee requests remain in effect under their terms.

2. *Action Plan for Disaster Recovery waiver and alternative requirements*

a. Infrastructure Programs and Projects. The infrastructure requirements described in in Section VI.2 of the Notice published on November 18, 2013 (78 FR 69106) apply to infrastructure programs and projects funded through the allocation provided by this Notice except as otherwise noted for RBD Projects in Section VI of this Notice. In evaluating infrastructure programs and projects included in a substantial Action Plan Amendment submitted in response to this Notice, HUD will assess the adequacy of a grantee's response to each of the elements outlined in Section VI.2 of the November 18, 2013 Notice or as qualified in this Notice regarding RBD Projects as a basis for the approval of the amendment. However, grantees need not resubmit responses to elements approved by HUD unless warranted by changing conditions or if project-specific analysis is required.

b. *Identification/Description of Covered Projects*. For any Covered Project held to the requirements of the Notice published on November 18, 2013, Section VI.2.g.1 of that Notice (“Action Plan for Disaster Recovery waiver and alternative requirement - Infrastructure Programs and Projects, Additional Requirements for Major Infrastructure Projects, Identification/Description”), as amended by the March 27, 2014 Notice, is modified to require: A description of the Covered Project, including: total project cost estimate (illustrating both the CDBG-DR award as well as other federal resources for the project, such as funding provided by the Department of Transportation or FEMA), CDBG eligibility (i.e., a citation to the HCD Act, applicable **Federal Register** notice, or a CDBG regulation), how it will meet a national objective, and the project’s connection to Hurricane Sandy or other disasters cited in this Notice. The Department recognizes that grantees often finance large scale infrastructure projects by leveraging several sources of funds that may shift over time. Therefore, the Department may elect to approve projects based on estimates of total project cost and of other funding sources as well as the CDBG-DR contribution amount. Grantees are expected to provide the best estimates available and the expected timeline for determining the exact costs. Grantees must submit an Action Plan Amendment to reflect any material adjustments to the cost estimate. As described in Section VII.3 of this Notice, where an adjustment of the CDBG-DR contribution to a Covered Project triggers the substantial amendment criteria described in the March 5, 2013 Notice (78 FR 14329) at Section VI.A.3.a., grantees must submit a Substantial Action Plan Amendment subject to the requirements of the Notice, which requires no less than 7 calendar days to solicit public comment. The Covered Project itself is subject to the 30-day comment period and public hearing required by the November 18, 2013 Notice. However, HUD will consider resubmissions of Covered Projects submitted to HUD prior to the

effective date of this Notice and revised in accordance with these amended requirements, subject to all non-substantial Action Plan Amendment requirements.

c. Certification of proficient controls, processes and procedures. The Appropriations Act requires the Secretary to certify, in advance of signing a grant agreement, that the grantee has in place proficient financial controls and procurement processes and has established adequate procedures to prevent any duplication of benefits as defined by Section 312 of the Stafford Act, ensure timely expenditure of funds, maintain comprehensive Web sites regarding all disaster recovery activities assisted with these funds, detect and prevent waste, fraud, and abuse of funds. Grantees submitted documentation for the Secretary's certification pursuant to paragraph VI.E.42 .q of the March 5, 2013 Notice and updated them in accordance with 78 FR 691014 (November 18, 2013). In any Action Plan Amendment submitted after the effective date of this Notice, grantees are required to identify any material changes in its processes or procedures that could potentially impact the Secretary's or the grantee's prior certification. Grantees are advised that HUD may revisit any prior certification based on a review of an Action Plan Amendment submitted for this allocation of funds, as well as monitoring reports, audits by HUD's Office of the Inspector General, citizen complaints or other sources of information. As a result of HUD's review, the grantee may be required to submit additional documentation or take appropriate actions to sustain the certification.

d. Amending the Action Plan. Except as otherwise provided for in this Notice, Section VI.A.1.k at 78 FR 14337 of the March 5, 2013 Notice is amended, as necessary, to require each grantee to submit a substantial Action Plan Amendment to HUD within 120 days of the effective date of this Notice. All Action Plan Amendments submitted after the effective date of this Notice must be prepared in accordance with the Prior Notices, as modified by this Notice. In

addition, they must budget all, or a portion, of the funds allocated under this Notice. Grantees are reminded that an Action Plan may be amended one or more times until it describes uses for 100 percent of the grantee's CDBG-DR award. The last date that grantees may submit an Action Plan Amendment is June 1, 2017 given that HUD must obligate all CDBG-DR funds not later than September 30, 2017. The requirement to expend funds within two years of the date of obligation will be enforced relative to the activities funded under each obligation, as applicable.

e. *HUD Review/Approval.* Consistent with the requirements of section 105(c) of the Cranston-Gonzalez National Affordable Housing Act, HUD will reject or approve each grantee's substantial Action Plan Amendment within 60 days from the date of receipt. This timeframe allows HUD's federal partners to view the Amendment and provide feedback. The Secretary may disapprove an Amendment if it is determined that it does not meet the requirements of the Prior Notices, as amended by this Notice.

f. *Projection of expenditures and outcomes.* Section VI.A.1.I. at 78 FR 14337 of the March 5, 2013 Notice is amended, as necessary, to require each grantee to amend its Action Plan to update its projection of expenditures and outcomes within 90 days of its Action Plan Amendment approval. The projections must be based on each quarter's expected performance—beginning the quarter funds are available to the grantee and continuing each quarter until all funds are expended. Projections should include the entire amount allocated by this Notice. Amending the Action Plan to accommodate these changes is not considered a substantial amendment. Guidance on preparing the projections is available on HUD's website at:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/programs/drsi/afwa.

3. *Citizen participation waiver and alternative requirement.*

78 FR 69104 (November 18, 2013) modified paragraph 3 at 78 FR 14338 of the March 5, 2013 Notice to require grantees to publish substantial Action Plan Amendments for comment for 30 days prior to submission to HUD. Covered Projects are subject to the 30-day comment period and public hearing required by the November 18, 2013 Notice. However, as described in paragraph VII.2.b. of this Notice, this paragraph modifies paragraph 4 at 78 FR 69109 of the November 18, 2013 Notice by imposing a 7-day public comment period *only* when a grantee proposes adjustments of CDBG-DR contributions to a Covered Project that would trigger a substantial amendment by exceeding the \$1 million threshold. Action Plan amendments must include full project descriptions for Covered Projects. Grantees are reminded of both the citizen participation requirements of that Notice and that HUD will monitor grantee compliance with those requirements and the alternative requirements of this Notice. Grantees are strongly encouraged to align citizen participation plan requirements with environmental review public participation processes to the fullest extent possible to gain efficiencies. Grantees are encouraged to conduct outreach to community groups, including those that serve minority populations, persons with limited English proficiency, and persons with disabilities, to encourage public attendance at the hearings and the submission of written comments concerning the Action Plan Amendment.

The grantee must continue to make the Action Plan, any amendments, and all performance reports available to the public on its website and on request. The grantee must also make these documents available in a form accessible to persons with disabilities and persons of limited English proficiency, in accordance with the requirements of the March 5, 2013 Notice. Grantees are also encouraged to conduct outreach to local nonprofit and civic organizations to disseminate draft substantial Action Plan Amendments for public comment. Until the grant is

closed the grantee must provide citizens, affected local governments, and other interested parties with reasonable and timely access to information and records relating to the Action Plan and to the grantee's use of grant funds. This objective should be achieved through effective use of the grantee's comprehensive website mandated by the Appropriations Act.

4. Waivers and alternative requirements for Rebuild by Design Allocations.

a. *Interim funding for RBD planning and RBD Project-related pre-development costs.*

Without providing a waiver and alternative requirement, HUD would be required to make the RBD eligible activity determination described in Section VI.7.b prior to a grantee's use of funds made available by the RBD Allocation for RBD Project pre-development costs. However, this eligibility determination will not be made until the grantee has completed the RBD Action Plan Amendment Process as described in Section VI.4. To ensure timely progress and prevent gaps in continuity regarding design development and community engagement for implementation of RBD Projects, HUD is providing this waiver and alternative requirement to permit grantees to temporarily reprogram CDBG-DR funds previously identified for planning in an Action Plan governing earlier CDBG-DR allocations under the Appropriations Act. This alternative requirement will allow grantees to move funds temporarily from planning activities for purposes of funding RBD Project planning and pre-development costs. In order to undertake this action, grantees must submit a non-substantial Action Plan Amendment to identify any amounts reprogrammed, with the exception of general planning activities that are eligible under 24 CFR 570.205 (including planning activities under 570.205 undertaken by states pursuant to the waiver for planning-only activities in the March 5, 2013 Notice), which would

not require an amendment. Under the terms of this alternative requirement, when funds become available under the grantee's line of credit for the RBD Project, the grantee must set aside funds from the RBD allocation in the amount reprogrammed for the RBD Project under this alternative requirement for the original planning purpose for which these funds were designated. Use of existing CDBG-DR funding for RBD Project planning and pre-development activities is allowed for such expenditures incurred following the announcement of RBD allocations by the Secretary on May 30, 2014.

- b. Citizen participation waiver and alternative requirement - Interim funding for RBD Project planning and pre-development costs.* Modifications to a grantee's Action Plan to reflect the temporary reprogramming of funds for RBD Project planning and pre-development costs, as outlined in subparagraph a above, are not subject to the substantial amendment criteria described in the March 5, 2013 Notice (78 FR 14329); however, these modifications are subject to all non-substantial Action Plan Amendment requirements.
- c. Rebuild by Design as an eligible CDBG activity.* As described in Section VI.7.b of this Notice, the Department is waiving 42 U.S.C. 5305(a) only to the extent necessary to create a new eligible activity, the 'Rebuild by Design' eligible activity, that includes:

 - *RBD Pre-development and Construction Costs:* This waiver and alternative requirement permits grantees receiving an RBD allocation to designate all necessary pre-development and construction costs carried out in accordance

with the selected RBD proposal described in a HUD-approved Action Plan as an eligible activity; and

- *RBD Implementation case study and lessons learned document:* This waiver and alternative requirement allows grantees to classify costs expended on the preparation of the case study and lessons learned document required in Section VI of this Notice as eligible CDBG activity costs (not planning costs) of the 'Rebuild by Design' eligible activity.

5. Reimbursement of disaster recovery expenses. In addition to pre-award requirements described in the March 5, 2013 Notice, grantees are subject to HUD's guidance issued July 30, 2013—"Guidance for Charging Pre-Award Costs of Homeowners, Businesses, and Other Qualifying Entities to CDBG Disaster Recovery Grants" (CPD Notice 2013-05), as may be amended. The CPD Notice is available on the CPD Disaster Recovery Web site at:

http://portal.hud.gov/hudportal/documents/huddoc?id=cdbg_preaward_notice.pdf.

6. Duplication of benefits. Grantees are reminded that the March 5, 2013 Notice, at 78 FR 14344, imposes a requirement that grantees, in administering grant funds, adhere to the guidance in the **Federal Register** Notice published November 16, 2011 (76 FR 71060), "Guidance on Duplication of Benefit Requirements and Provision of CDBG-DR Assistance".

This requirement continues to apply to funds made available under this Notice. The

Duplication of Benefits Notice is available on the CPD Disaster Recovery Web site at:

[http://portal.hud.gov/hudportal/HUD?src=/program offices/administration/hudclips/notices/cpd](http://portal.hud.gov/hudportal/HUD?src=/program%20offices/administration/hudclips/notices/cpd)

7. Eligibility of needs assessment and comprehensive risk analysis costs. Grantees may use CDBG-DR funds to update their impact and unmet needs assessments as well as their comprehensive risk analyses for infrastructure projects as required by November 18, 2013

Notice, consistent with the overall 20 percent limitation on the use of funds for planning, management, and administrative costs.

VIII.Catalog of Federal Domestic Assistance

The Catalog of Federal Domestic Assistance number for the disaster recovery grants under this Notice is as follows: 14.269.

IX. Finding of No Significant Impact

A Finding of No Significant Impact (FONSI) with respect to the environment has been made in accordance with HUD regulations at [24 CFR part 50](#), which implement section 102(2)(C) of the National Environmental Policy Act of 1969 (42 U.S.C. 4332(2)(C)). The FONSI is available for public inspection between 8 a.m. and 5 p.m. weekdays in the Regulations Division, Office of General Counsel, Department of Housing and Urban Development, 451 7th Street SW., Room 10276, Washington, DC 20410-0500. Due to security measures at the HUD Headquarters building, an advance appointment to review the docket file must be scheduled by calling the Regulations Division at 202-708-3055 (this is not a toll-free number). Hearing or speech-impaired individuals may access this number through TTY by calling the toll-free Federal Relay Service at 800-877-8339.

Dated: October 9, 2014.

Clifford Taffet,
General Deputy Assistant Secretary.

Appendix A—Allocation Methodology

May 2014 CDBG-DR Allocation Methodology

This allocation is calculated based on relative share of needs HUD has estimated are required to rebuild to a higher standard consistent with CDBG program requirements and the goals set forth in the Hurricane Sandy Rebuilding Strategy. HUD's analysis shows that when calculating both unmet repair costs and resiliency needs, there is adequate funding allocated to address the critical housing and small business repair needs of each grantee, but grantees will continue to need to make careful choices about prioritizing the limited resources for those most impacted and distressed, most particularly in consideration of infrastructure and non-critical resiliency investments. In addition to ensuring adequate amounts of funds have been allocated for addressing critical housing and business needs, HUD has allocated funds estimated to support development of at least one phase of Sandy Rebuild by Design (RBD) award winning projects and one final project. This allocation methodology applies only to the formula allocation and not to the RBD allocation.

HUD calculates the cost to rebuild the most impacted and distressed homes, businesses, and infrastructure back to pre-disaster conditions. From this base calculation, HUD calculates both the amount not covered by insurance and other federal sources to rebuild back to pre-disaster conditions as well as a "resiliency" amount which is calculated at 30 percent of the total basic cost to rebuild back the most distressed homes, businesses, and infrastructure to pre-disaster conditions. The estimated cost to repair unmet needs are combined with the resiliency needs to calculate the total severe unmet needs estimated to achieve long-term recovery. This calculation of housing, business, and infrastructure needs is used to determine the relative share of funding for this Sandy state allocation versus other eligible disasters of 2011, 2012, and 2013. Consistent with HUD's intent to prioritize critical housing and business needs with this final allocation, the formula sub-allocation among Sandy states is made proportional to the calculated severe unmet needs for estimated remaining housing and business needs (excluding infrastructure).

Statutory Language for the Allocation

Public Law 113-2 (January 29, 2013) provides the following language on how the Secretary shall allocate the funds: “For an additional amount for “Community Development Fund”, \$16,000,000,000, to remain available until September 30, 2017, for necessary expenses related to disaster relief, long-term recovery, restoration of infrastructure and housing, and economic revitalization in the most impacted and distressed areas resulting from a major disaster declared pursuant to the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121 et seq.) due to Hurricane Sandy and other eligible events in calendar years 2011, 2012, and 2013, for activities authorized under title I of the Housing and Community Development Act of 1974 (42 U.S.C. 5301 et seq.): Provided, That funds shall be awarded directly to the State or unit of general local government as a grantee at the discretion of the Secretary of Housing and Urban Development: Provided further, That the Secretary shall allocate to grantees not less than 33 percent of the funds provided under this heading within 60 days after the enactment of this division based on the best available data.”

Available Data

The “best available” data HUD staff have identified as being available to calculate unmet needs at this time for all disasters in 2011, 2012, and 2013 meeting HUD’s Most Impacted and Distressed threshold comes from the following data sources:

- FEMA Individual Assistance program data on housing unit damage;
- SBA for management of its disaster assistance loan program for housing repair and replacement;
- SBA for management of its disaster assistance loan program for business real estate repair and replacement as well as content loss; and
- FEMA Public Assistance, Department of Transportation Federal Transit Administration and Federal Highway Administration, Corps of Engineers, and US Department of Agriculture Emergency Watershed Restoration data on infrastructure

These funds are only allocated toward disasters in 2011, 2012, and 2013 determined by HUD to be most impacted and distressed disasters.¹

Calculating Unmet Housing Needs

The core data on housing damage for both the unmet housing needs calculation and the concentrated damage are based on home inspection data for FEMA's Individual Assistance program (extracted January 2014). For unmet housing needs, the FEMA data are supplemented by Small Business Administration data from its Disaster Loan Program (extracted January 2014). HUD calculates "unmet housing needs" as the number of housing units with unmet needs times the estimated cost to repair those units less repair funds already provided by FEMA, where:

- Each of the FEMA inspected owner units are categorized by HUD into one of five categories:
 - Minor-Low: Less than \$3,000 of FEMA inspected real property damage.
 - Minor-High: \$3,000 to \$7,999 of FEMA inspected real property damage.
 - Major-Low: \$8,000 to \$14,999 of FEMA inspected real property damage (if basement flooding only, damage categorization is capped at major-low).
 - Major-High: \$15,000 to \$28,800 of FEMA inspected real property damage and/or 4 to 6 feet of flooding on the first floor.
 - Severe: Greater than \$28,800 of FEMA inspected real property damage or determined destroyed and/or 6 or more feet of flooding on the first floor.

To meet the statutory requirement of "most impacted and distressed" in this legislative language, homes are determined to have a high level of damage if they have damage of "major-low" or higher. That is, they have a real property FEMA inspected damage of

¹ For Hurricane Sandy, a most impacted disaster is any state that received a FEMA Individual Assistance declaration. For other disasters a Most Impacted disaster is a disaster where the severe housing and business unmet needs (excluding resiliency) exceed \$25 million from counties with greater than \$10 million in unmet housing and business severe needs (excluding resiliency and area construction cost adjustment).

\$8,000 or flooding over 4 foot. Furthermore, a homeowner is determined to have unmet needs if they have received a FEMA grant to make home repairs. For homeowners with a FEMA grant and insurance for the covered event, HUD assumes that the unmet need “gap” is 20 percent of the difference between total damage and the FEMA grant.

- FEMA does not inspect rental units for real property damage so personal property damage is used as a proxy for unit damage. Each of the FEMA inspected renter units are categorized by HUD into one of five categories:
 - Minor-Low: Less than \$1,000 of FEMA inspected personal property damage.
 - Minor-High: \$1,000 to \$1,999 of FEMA inspected personal property damage.
 - Major-Low: \$2,000 to \$3,499 of FEMA inspected personal property damage (if basement flooding only, damage categorization is capped at major-low).
 - Major-High: \$3,500 to \$7,499 of FEMA inspected personal property damage or 4 to 6 feet of flooding on the first floor.
 - Severe: Greater than \$7,500 of FEMA inspected personal property damage or determined destroyed and/or 6 or more feet of flooding on the first floor.

For rental properties, to meet the statutory requirement of “most impacted and distressed” in this legislative language, homes are determined to have a high level of damage if they have damage of “major-low” or higher. That is, they have a FEMA personal property damage assessment of \$2,000 or greater or flooding over 4 feet. Furthermore, landlords are presumed to have adequate insurance coverage unless the unit is occupied by a renter with income of \$30,000 or less. Units are occupied by a tenant with income less than \$30,000 are used to calculate likely unmet needs for affordable rental housing. For those units occupied by tenants with incomes under \$30,000, HUD estimates unmet needs as 75 percent of the estimated repair cost.

- The median cost to fully repair a home for a specific disaster to code within each of the damage categories noted above is calculated using the average real property damage

repair costs determined by the Small Business Administration for its disaster loan program for the subset of homes inspected by both SBA and FEMA. Because SBA is inspecting for full repair costs, it is presumed to reflect the full cost to repair the home, which is generally more than the FEMA estimates on the cost to make the home habitable. If fewer than 100 SBA inspections are made for homes within a FEMA damage category, the estimated damage amount in the category for that disaster has a cap applied at the 75th percentile of all damaged units for that category for all disasters and has a floor applied at the 25th percentile.

Calculating Unmet Infrastructure Needs

- To proxy unmet infrastructure needs, HUD uses data from FEMA's Public Assistance program on the state match requirement (extracted January 2014). This allocation uses only a subset of the Public Assistance damage estimates reflecting the categories of activities most likely to require CDBG funding above the Public Assistance and state match requirement. Those activities are categories: C-Roads and Bridges; D-Water Control Facilities; E-Public Buildings; F- Public Utilities; and G-Recreational-Other. Categories A (Debris Removal) and B (Protective Measures) are largely expended immediately after a disaster and reflect interim recovery measures rather than the long-term recovery measures for which CDBG funds are generally used. Because Public Assistance damage estimates are available only statewide (and not county), CDBG funding allocated by the estimate of unmet infrastructure needs are sub-allocated to New York City from the New York State total based on the distribution of initial project- level estimates obtained from FEMA (69 percent New York City, 31 percent New York state). Note, that due to most states' large private electric utilities being ineligible for FEMA Public Assistance, HUD does not include the estimated repair costs for the Long Island Power Authority (LIPA) in New York.
- For the third round of CDBG-DR funding for Sandy recovery, HUD includes four additional sources of information:

1. US Army Corps of Engineers (USACE) Infrastructure Resilience Coordination (extracted June 2013). Many USACE Sandy projects require very high local cost shares. However, Federal requirements only allow grantees to no more than \$250,000 of CDBG–DR funding towards local match requirements for these projects. As such, this calculation only includes \$250,000 per USACE project where local match is higher than that amount.
2. DOT, Federal Highway Administration (FHWA) Sandy Recovery Grants—Emergency Relief (ER) (extracted June 2013). We include an estimate of the local cost share from this program. To calculate this estimate, we only include 20% of non-quick release Sandy ER project estimates as of July 2013.
3. DOT, Federal Transit Administration (FTA) Transit Emergency Relief (ER) (extracted June 2013). We include the 10% local cost share for these transit projects. Note, since much of the New York City transit damage is owned by a state organization, the Metropolitan Transportation Authority, New York State receives the vast majority of need from this grant. Also note that the State of New Jersey receives 66% of the local match requirement from the Port Authority’s match requirement; New York State receives 34% of the Authority’s match requirement.
4. USDA Emergency Watershed Repair Program (extracted May 2014). For most impacted disasters in 2011, 2012, and 2013 that have not received supplemental funding to address watershed repairs, HUD includes the estimated unmet repair costs calculated by USDA in the unmet repair needs calculation.

Calculating Economic Revitalization (Small Business) Needs

- Based on SBA disaster loans to businesses (extracted January 2014), HUD used the sum of real property and real content loss of small businesses not receiving an SBA disaster loan. This is adjusted upward by the proportion of applications that were received for a disaster that content and real property loss were not calculated because the applicant had

inadequate credit or income. For example, if a state had 160 applications for assistance, 150 had calculated needs and 10 were denied in the pre-processing stage for not enough income or poor credit, the estimated unmet need calculation would be increased as $(1 + 10/160) * \text{calculated unmet real content loss}$.

- Because applications denied for poor credit or income are the most likely measure of needs requiring the type of assistance available with CDBG–DR funds, the calculated unmet business needs for each state are adjusted upwards by the proportion of total applications that were denied at the pre-process stage because of poor credit or inability to show repayment ability. Similar to housing, estimated damage is used to determine what unmet needs will be counted as severe unmet needs. Only properties with total real estate and content loss in excess of \$30,000 are considered severe damage for purposes of identifying the most impacted and distressed areas.
 - Category 1: real estate + content loss = below \$12,000
 - Category 2: real estate + content loss = \$12,000 to \$30,000
 - Category 3: real estate + content loss = \$30,000 to \$65,000
 - Category 4: real estate + content loss = \$65,000 to \$150,000
 - Category 5: real estate + content loss = above \$150,000

To obtain unmet business needs, the amount for approved SBA loans is subtracted out of the total estimated damage.

Resiliency Needs.

CDBG Disaster Recovery Funds are often used to not only support rebuilding to pre- storm conditions, but also to build back much stronger. For the disasters covered by this Notice, HUD has required that grantees use their funds in a way that results in rebuilding back stronger so that future disasters do less damage and recovery can happen faster. To calculate these resiliency costs, HUD multiplied its estimates of total repair costs for seriously damaged homes, small

businesses, and infrastructure by 30 percent. Total repair costs are the repair costs including costs covered by insurance, SBA, FEMA, and other federal agencies. The resiliency estimate at 30 percent of damage is intended to reflect some of the unmet needs associated with building to higher standards such as elevating homes, voluntary buyouts, hardening, and other costs in excess of normal repair costs. Note that because FEMA Public Assistance does not include the estimated cost to repair Public Housing that is covered by private insurance, HUD adds to its resiliency calculation 30 percent times the insurance payment for Public Housing repairs.

Housing and Small Business Construction Cost Adjustment.

Prior to making this final allocation, HUD staff carefully reviewed the housing programs being operated by New York City and New Jersey. Out of this analysis came the observation that higher construction costs in New York and New Jersey were not being adequately accounted for in HUD's base formula for determining relative share of funding among the 2011, 2012, and 2013 disasters. As a result, for this allocation, HUD has increased its estimate of severe unmet housing and business repair and resiliency needs to account for these higher construction costs. To do this, HUD used the same Marshall & Swift regional cost adjustment multipliers used for HUD's annual calculation of Total Development Costs developed for HUD's public housing repair programs. The specific construction cost multiplier used for adjusting the above calculations of unmet housing and business needs for each grantee was as follows:

Connecticut: 1.19

Maryland: 1.00

New York State: 1.44

New York City: 1.45

New Jersey: 1.34

Rhode Island: 1.00

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